



REPUBLICAN CAUCUS

THE COMMITTEE ON THE BUDGET

B-71 Cannon House Office Building
Washington, DC 20515
Representative Paul D. Ryan, *Ranking Republican*

Phone: (202)-226-7270
Fax: (202)-226-7174
Augustine T. Smythe, *Republican Staff Director*

THE OBAMA-DEMOCRATIC BUDGET A DELUGE OF DOLLARS AND DEBT

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As the Democratic Majority moves to conference on the Obama budget for fiscal year 2010, it is important to review the unprecedented levels of spending and debt they are unleashing. Some key points:

- After signing a \$787-billion “stimulus” bill, and an omnibus appropriation bursting with nearly 9,000 earmarks – increasing nondefense appropriations by 10 percent – the President calls for another 9-percent hike in nondefense discretionary for 2010.
- While acknowledging the looming entitlement crisis, the President’s budget *increases* entitlement spending by \$1.4 *trillion* over the next decade.
- The President’s budget then chases all this spending with \$1.5 trillion in tax increases over the next 10 years – including tax hikes on small businesses, investors, families, and workers.
- But even that doesn’t keep pace with his spending: the President’s budget doubles the debt in 5 years, and nearly *triples* the debt in 10 years.

In response to spending and borrowing that are clearly out of control, the President on Monday directed his cabinet to identify \$100 *million* in savings over the next 90 days – an amount the President himself termed “a drop in the bucket.” But that overstates the sum by several orders of magnitude. In the context of current spending, here are several ways to view \$100 million:

\$100 MILLION: A DRIP IN THE OCEAN

- Based on estimates by the Congressional Budget Office [CBO], the government this year is spending \$100 million every 13 minutes. During this 90-day review, while agencies are searching for \$100 million in savings, the Federal Government will spend a total of \$987 billion – or *9,870 times as much as the agencies are being asked to save*.
- A sum of \$100 million equals:
 - 0.0025 percent of the \$4.004 trillion the Federal Government will spend this year (fiscal year 2009), according to CBO.
 - 0.006 percent of this year’s budget deficit.
 - 0.012 percent of the “stimulus” bill.
 - 0.025 percent of the \$407.6-billion omnibus appropriation for fiscal year 2009.
- For a family earning the most recent real median income (roughly \$50,233), the equivalent savings over an entire year would total \$1.25 – less than half the cost of a latte at Starbucks.

THE REAL GROWTH IN SPENDING

To evaluate how much spending is really growing under the Obama budget, it is necessary to consider all the major spending actions already taken this year, as shown in Table 1 below. The column labeled “2009 Enacted” reflects total spending, including the \$407.6-billion omnibus appropriation bill for 2009. The second and third columns show, respectively: 1) what the President has requested in discretionary spending for fiscal year 2010; and 2) the percentage increase of the request over 2009 enacted levels. The fourth column shows the dollar amount of spending for these agencies contained in the “stimulus” bill. The fifth column adds the President’s discretionary spending request for 2010, and the “stimulus” amounts, to show the total percentage increase for these agencies.

Table 1: President’s Funding Levels for Discretionary Programs, by Agency
(budget authority in billions of dollars, unless otherwise indicated)

| | 2009 Enacted | FY 2010 Adm. Request | % Increase: 2009 to Request | ‘Stimulus’ Spending | Total % Increase |
|---|-----------------|-------------------------|--------------------------------|------------------------|---------------------|
| Departments | | | | | |
| Agriculture | 23.9 | 26.0 | 8.5% | 6.9 | 37% |
| Commerce | 9.3 | 13.8 | 48.2% | 7.9 | 134% |
| Education | 41.4 | 46.7 | 12.9% | 81.1 | 209% |
| Energy | 26.4 | 26.3 | -0.5% | 38.7 | 146% |
| Health and Human Services | 80.1 | 78.7 | -1.8% | 22.4 | 26% |
| Homeland Security | 42.2 | 42.7 | 1.3% | 2.8 | 8% |
| Housing and Urban Development | 40.1 | 47.5 | 18.3% | 13.6 | 52% |
| Interior | 11.3 | 12.0 | 6.5% | 3.0 | 33% |
| Justice | 25.5 | 23.9 | -6.2% | 4.0 | 9% |
| Labor | 12.7 | 13.3 | 4.1% | 4.8 | 42% |
| State and Other International Programs | 36.7 | 51.7 | 40.9% | 0.6 | 43% |
| Transportation | 70.5 | 72.5 | 2.8% | 48.1 | 71% |
| Treasury | 12.7 | 13.3 | 5.5% | 0.3 | 8% |
| Veterans Affairs | 47.6 | 52.5 | 10.3% | 1.4 | 13% |
| Major Agencies | | | | | |
| Corps of Engineers | 5.3 | 5.1 | -3.6% | 4.6 | 83% |
| Environmental Protection Agency | 7.8 | 10.5 | 33.9% | 7.2 | 126% |
| General Services Administration | 0.7 | 0.6 | -4.4% | 5.9 | 862% |
| National Aeronautics and Space Administration | 17.8 | 18.7 | 5.0% | 1.0 | 11% |
| National Science Foundation | 6.9 | 7.0 | 2.8% | 3.0 | 47% |
| Small Business Administration | 0.7 | 0.7 | 5.6% | 0.7 | 116% |
| Social Security Administration | 8.8 | 9.7 | 10.6% | 1.1 | 23% |
| Corporation for National and Community Service | 0.9 | 1.1 | 30.0% | 0.2 | 53% |
| Infrastructure Bank | — | 5.0 | 100.0% | — | 100% |
| Other Agencies | 19.1 | 19.8 | 3.5% | 0.2 | 4% |
| Total Nondefense Discretionary | 548.2 | 599.1 | 9.3% | 259.6 | 57% |
| National Defense | | | | | |
| <i>Base</i> | 513.3 | 533.7 | 4% | 7.4 | 5% |
| <i>Overseas Contingencies</i> | 166.2 | 130.0 | | | |
| Total National Defense, Including Overseas | 679 | 664 | | | |
| Grand Total | 1,227.8 | 1,262.6 | 3% | 267.0 | 25% |
| Source: Office of Management and Budget. Figures may not add due to rounding. | | | | | |

THE GOVERNMENT HASN'T BEEN 'STARVED'

Despite claims that government programs have been “starved,” Table 2 below shows spending in nearly every government agency has outpaced growth in the economy, inflation, and family incomes. The table reflects the average annual percentage increase in spending for the agencies listed since 2000, according to figures from the administration’s Office of Management and Budget. To put these figures in context, here are some other growth rates during the same period:

- Real (inflation-adjusted) gross domestic product grew at an average annual rate of 4.8 percent.
- Inflation (the increase in the consumer price index) averaged 2.8 percent per year.
- Family income (wages and salaries) grew at an average annual rate of 3.9 percent.

Table 2: Spending Increases by Agency, 2000-2008
(average annual percentage increases, in outlays)

| Agency | Average Annual Increase 2000-08 |
|---|---------------------------------|
| Legislative Branch | 6.1% |
| The Judiciary | 5.9% |
| Department of Agriculture | 4.7% |
| Department of Commerce | 7.2% |
| Defense-Military | 9.7% |
| Department of Education | 10.2% |
| Department of Energy | 3.6% |
| Department of Health and Human Services | 7.7% |
| Department of Homeland Security ^a | 20.0% |
| Department of Housing and Urban Development | 5.0% |
| Department of the Interior | 3.2% |
| Department of Justice | 7.0% |
| Department of Labor | 9.1% |
| Department of State | 11.9% |
| Department of Transportation | 6.5% |
| Department of the Treasury | 4.2% |
| Department of Veterans' Affairs | 8.0% |
| Other Agencies (including undistributed receipts) | 4.8% |
| Total Average Increase | 6.4% |

Sources: Office of Management and Budget, and Department of the Treasury

^a The figures normalize for homeland security activities prior to the Department's creation in 2002.
